



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
03/13/2023
Taxpayer ID number:

Person to contact:

Release Number: 202323016
Release Date: 6/9/2023

LEGEND

B = Scholarship Program
C = City
D = Name
E = Business
x dollars = \$
y = Number

UIL: 4945.04.04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

Our determination

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in IRC Section 117(b)).

Description of your request

Your letter indicates you will operate an educational scholarship and internship program called B. Your purpose is to provide scholarships to students who have the desire to become entrepreneurs. In addition to the educational scholarships, B's goal is to pool talented young entrepreneurs in the C area with the hopes of them contributing to the growth of the community.

B is a hands-on summer internship program for high school students. As part of B, students will be paired with local business leaders and will receive compensation for participating and an educational scholarship in the amount of x dollars. The intent of B is to provide young talented individuals in the C area with skill development opportunities and expand their potential as entrepreneurs. Some of the students may be in homes that are at an economic disadvantage. Some of the opportunities of B will include:

- a. Internships with C's most entrepreneurial companies
- b. Access to and connection with CEO's and executive teams
- c. Mentors' programs
- d. Education and support from resources of B
- e. Networking and development training

D, one of your board members is the CEO of E, one of the business participants of the internship program. or candidates may be selected and placed at E as interns. The interns will be selected by an independent selection committee. D will not participate in the selection process.

There is no limit on the number of applicants that are eligible to apply. However, the Foundation anticipates receiving up to x applications as the program is further developed.

The selection committee is comprised of the foundation's trustees, company partners, and B alumni. After recommendations from the scholarship committee, your trustees will make the final selection of scholarship and award recipients.

To be eligible to apply applicants must be a current high school junior or senior, and not a dependent of any disqualified person with respect to the Foundation.

Approximately ten to twenty awards will be given annually. The dollar amount will be determined by the funds available and the total number of qualified students. Most scholarships are paid directly to the university for tuition, however, in some cases, scholarships may be awarded directly to selected recipients. In such cases, the recipients will be required to provide documentation to support qualifying expenditures.

You will publicize your program by visiting high school classrooms. In addition, the awards will also be publicized at community events, on social media, and through your partner organization.

No services are required after receiving the scholarship. Scholarships are to be used for educational purposes and are not renewable.

The eligibility criteria for the foundational scholarship are as follows:

- a. Current high school junior or senior
- b. Not a dependent of any disqualified person
- c. Students must complete and submit an application
- d. Students must be legally authorized to work in the United States
- e. Students will be judged on leadership qualities
- f. Academic performance
- g. Motivation to excel as demonstrated through the application process
- h. Letter of recommendation from teacher or school administrator

Scholarships are not renewable. You will monitor the scholarships by obtaining reports and grade transcripts from the student(s) and you will pay scholarships to the universities under an arrangement whereby the universities will apply the funds only for enrolled students who are in good standing.

You may also disburse scholarships directly to the student. If you pay the scholarship directly to the student, you will require a confirmation from the university that the student is enrolled and in good standing at the university prior to disbursing the funds. You will require the student to provide documentation that the funds were expended for the scholarship program's purposes.

If you found out if any part of the scholarship is not being used to further the purposes of the scholarship you will take all reasonable and appropriate steps recover the scholarship as is practical.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- Withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study or other similar purposes. However, a grant that meets all the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

Internal Revenue Service
Exempt Organizations Determinations
TE/GE Stop 31A Team 105
P.O. Box 12192
Covington, KY 41012-0192

- You can't award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.

- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements